

## CARO 2020:

- This Order may be called the Companies (Auditor's Report) Order, 2020.
- It shall apply to every company including a foreign company as defined in clause (42) of section 2 of the Companies Act, 2013 (18 of 2013) [hereinafter referred to as the Companies Act], except–
  - (i) a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);
  - (ii) an insurance company as defined under the Insurance Act, 1938 (4 of 1938);
  - (iii) a company licensed to operate under section 8 of the Companies Act;
  - (iv) a One Person Company as defined in clause (62) of section 2 of the Companies Act and a small company as defined in clause (85) of section 2 of the Companies Act; and
  - (v) a private limited company, not being a subsidiary or holding company of a public company,
    - i. having a paid-up capital and reserves and surplus not more than one crore rupees as on the balance sheet date and
    - ii. which does not have total borrowings exceeding one crore rupees from any bank or financial institution at any point of time during the financial year and
    - iii. which does not have a total revenue as disclosed in Scheduled III to the Companies Act (including revenue from discontinuing operations) exceeding ten crore rupees during the financial year as per the financial statements.

### Para 2: Exempt Companies: (BIOS-8) + P (P1 D1 R10)

- Banking Co.
- Insurance Co.
- OPC & Small Co.
- Section 8 Co.
- Pvt Ltd:
  - o P Capital + Reserves < ₹ 1 Cr
  - o Debt < ₹ 1 Cr
  - o Revenue < ₹ 10 Cr

## Important Points:

- a. Provisions of CARO are equally applicable in case of branches also, because under sec. 143(8), a branch auditor has same duties as of company auditor.
- b. A company is covered under the definition of small company, it will remain exempted from the applicability of the Order even if it falls under any of the criteria specified for private company.
- c. Paid up capital includes equity as well as preference.
- d. Amount originally paid-up on forfeited shares should be added to the figure of paid up capital.

- e. Share Application money should not be considered as part of paid up capital.
- f. Reserves includes Capital reserves, revenue reserves as well as Revaluation Reserves.
- g. Credit Balance of Profit and Loss Account will form part of reserve.
- h. In case of debit balance of profit or loss, the same shall be netted for computing reserves and surplus.
- i. Loans from banks and financial institutions are to be considered in aggregate. Financial Institutions will include NBFC.
- j. Loans may be in any form like term loan, demand loans, cash credit overdraft, export credit, bill purchased/discounted.
- k. Non-fund based credit facilities have devolved and have been converted into fund based credit facilities should also be considered as outstanding loan.
- l. Long term loans as well as short term loans, secured as well as unsecured will be considered.
- m. Outstanding dues in respect of credit cards will also be considered.
- n. Interest accrued as well as due does form part of outstanding loan, whereas interest accrued but not due is not considered as loan.
- o. Total revenue as disclosed in Schedule III comprises of Revenue from operations and Other Income.
- p. In respect of a company other than a finance company revenue from operations shall consists of revenue from
  - a. Sale of products;
  - b. Sale of services; and
  - c. Other operating revenues, as reduced by Excise duty.
- q. In respect of a finance company, revenue from operations shall consists of revenue from
  - a. Interest; and
  - b. Other financial services.
  - c. Other income shall consist of the followings: Interest Income (in case of a company other than a finance company); Dividend Income; Net gain/loss on sale of investments; Other non-operating income (net of expenses directly attributable to such income).

Category	Title	Para												
Fixed Assets - Para 3(i)	Adequacy of Records	Whether the company is maintaining proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.												
		Whether the company is maintaining proper records showing full particulars of intangible assets.												
	Physical verification	Whether these Property, Plant and Equipment have been physically verified by the management at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account												
	Title Deeds	Whether the title deeds of all the immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in the financial statements are held in the name of the company, if not, provide the details thereof in the format below: -												
		<table border="1"> <thead> <tr> <th>Description of property</th> <th>Gross carrying value</th> <th>Held in name of</th> <th>Whether promoter, director or their relative or employee</th> <th>Period held – indicate range, where appropriate</th> <th>Reason for not being held in name of company*</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>*Also indicate if in dispute</td> </tr> </tbody> </table>	Description of property	Gross carrying value	Held in name of	Whether promoter, director or their relative or employee	Period held – indicate range, where appropriate	Reason for not being held in name of company*						*Also indicate if in dispute
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					*Also indicate if in dispute									
Revaluation of Property	Whether the company has revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets or both during the year and, if so, whether the revaluation is based on the valuation by a Registered Valuer; specify the amount of change, if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment or intangible assets;													
Benami Property Proceedings	Whether any proceedings have been initiated or are pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder, if so, whether the company has appropriately disclosed the details in its financial statements;													
Inventories – Para 3(ii)	Physical verification	whether physical verification of inventory has been conducted at reasonable intervals by the management and whether, in the opinion of the auditor, the coverage and procedure of such verification by the management is appropriate; whether any discrepancies of 10% or more in the aggregate for												

		each class of inventory were noticed and if so, whether they have been properly dealt with in the books of account;
	Quarterly Returns	whether during any point of time of the year, the company has been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks or financial institutions on the basis of security of current assets; whether the quarterly returns or statements filed by the company with such banks or financial institutions are in agreement with the books of account of the Company, if not, give details;
Loans and Advances - Para 3(iii)	Investment made	Whether during the year the company has made investments in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties, if so,
	Loans & Advance Provided	<p>Whether during the year the company has provided loans or provided advances in the nature of loans, or stood guarantee, or provided security to any other entity [not applicable to companies whose principal business is to give loans], if so, indicate-</p> <ul style="list-style-type: none"> <li>- The aggregate amount during the year, and balance outstanding at the balance sheet date with respect to such loans or advances and guarantees or security to subsidiaries, joint ventures and associates.</li> <li>- the aggregate amount during the year, and balance outstanding at the balance sheet date with respect to such loans or advances and guarantees or security to parties other than subsidiaries, joint ventures and associates;</li> </ul>
	Terms of Loans	Whether the investments made, guarantees provided, security given and the terms and conditions of the grant of all loans and advances in the nature of loans and guarantees provided are not prejudicial to the company's interest
	Repayment	In respect of loans and advances in the nature of loans, whether the schedule of repayment of principal and payment of interest has been stipulated and whether the repayments or receipts are regular;
	Recovery Steps for Overdue Amount (>90 Days)	If the amount is overdue, state the total amount overdue for more than ninety days, and whether reasonable steps have been taken by the company for recovery of the principal and interest
	Evergreening of Loan	Whether any loan or advance in the nature of loan granted which has fallen due during the year, has been renewed or extended or fresh loans granted to settle the overdues of existing loans given to the same parties, if so, specify the aggregate amount of such dues renewed or extended or settled by fresh loans and the percentage of the aggregate to the total loans or advances in the nature of loans granted during the year [not applicable to companies whose principal business is to give loans]

	Without Terms Loan	Whether the company has granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment, if so, specify the aggregate amount, percentage thereof to the total loans granted, aggregate amount of loans granted to Promoters, related parties as defined in clause (76) of section 2 of the Companies Act, 2013;
Compliance of provisions of Secs. 185 & 186 - Para 3(iv)		In respect of loans, investments, guarantees, and security, whether provisions of sections 185 and 186 of the Companies Act have been complied with, if not, provide the details thereof
Compliance related to Public Deposits - Para 3(v)		In respect of deposits accepted by the company or amounts which are deemed to be deposits, whether the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules made thereunder, where applicable, have been complied with, if not, the nature of such contraventions be stated; if an order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal, whether the same has been complied with or not;
Cost Records - Para 3(vi)	Cost Records	Whether maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act and whether such accounts and records have been so made and maintained;
Statutory Dues - Para 3(vii)	Depositing of dues and outstanding dues for more than 6 months	Whether the company is regular in depositing undisputed statutory dues including Goods and Services Tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated
	Disputed dues	Where statutory dues referred to in sub-clause (a) have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending shall be mentioned (a mere representation to the concerned Department shall not be treated as a dispute)
Undisclosed Income - Para 3(viii)		Whether any transactions not recorded in the books of account have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961), if so, whether the previously unrecorded income has been properly recorded in the books of account during the year;

Repayment of Dues - Para 3(ix)	Default in repayment	Whether the company has defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender, if yes, the period and the amount of default to be reported as per the format below: -				
		Nature of borrowing, including debt securities	Name of lender*	Amount not paid on due date	Whether principal or interest	No. of days delay or unpaid
		*lender wise details to be provided in case of defaults to banks, financial institutions and Government				
	Defaulter	whether the company is a declared wilful defaulter by any bank or financial institution or other lender;				
	End use of Loan	whether term loans were applied for the purpose for which the loans were obtained; if not, the amount of loan so diverted and the purpose for which it is used may be reported;				
	LT to ST	whether funds raised on short term basis have been utilised for long term purposes, if yes, the nature and amount to be indicated				
	Funds for Subsidiaries Obligation	whether the company has taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures, if so, details thereof with nature of such transactions and the amount in each case.				
Pledge of Subsidiaries Shares	Whether the company has raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies, if so, give details thereof and also report if the company has defaulted in repayment of such loans raised;					
Application of Money raised by public	Application of IPO/FPO	whether moneys raised by way of initial public offer or further public offer (including debt instruments) during the year were applied for the purposes for which those are raised, if not, the details together with delays or default and subsequent rectification, if any, as may be applicable, be reported;				

issue - Para 3(x)	Preferential Allotment Compliance	whether the company has made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year and if so, whether the requirements of section 42 and section 62 of the Companies Act, 2013 have been complied with and the funds raised have been used for the purposes for which the funds were raised, if not, provide details in respect of amount involved and nature of non-compliance;
Fraud - Para 3 (xi)	Notice of fraud	whether any fraud by the company or any fraud on the company has been noticed or reported during the year, if yes, the nature and the amount involved is to be indicated;
	Report u/s 143(12)	whether any report under sub-section (12) of section 143 of the Companies Act has been filed by the auditors in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government;
	Whistle-blower Complaint	whether the auditor has considered whistle-blower complaints, if any, received during the year by the company;
Nidhi Companies - Para 3(xii)	Compliance with Ratio	whether the Nidhi Company has complied with the Net Owned Funds to Deposits in the ratio of 1:20 to meet out the liability;
	Compliance with Nidhi Rules	whether the Nidhi Company is maintaining ten per cent. unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability;
	Default in payment	whether there has been any default in payment of interest on deposits or repayment thereof for any period and if so, the details thereof;
Transactions with related Parties - Para 3(xiii)	Compliance with Sec 177 & 188	whether all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act where applicable and the details have been disclosed in the financial statements, etc., as required by the applicable accounting standards
Internal Audit - Para 3 3(xiv)	Internal Audit System Sufficiency	Whether the company has an internal audit system commensurate with the size and nature of its business;
	Internal Audit Report Consideration	Whether the reports of the Internal Auditors for the period under audit were considered by the statutory auditor;
Non-cash transactions with directors - Para 3(xv)	Non-Cash Transactions with Directors	Whether the company has entered into any non-cash transactions with directors or persons connected with him and if so, whether the provisions of section 192 of Companies Act have been complied with

Registration with RBI - Para 3 (xvi)	Registration u/s 45-IA	Whether the company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) and if so, whether the registration has been obtained
	Housing Finance Activity	Whether the company has conducted any Non-Banking Financial or Housing Finance activities without a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934;
	Core Investment Company	Whether the company is a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India, if so, whether it continues to fulfil the criteria of a CIC, and in case the company is an exempted or unregistered CIC, whether it continues to fulfil such criteria;
	CIC Group	Whether the Group has more than one CIC as part of the Group, if yes, indicate the number of CICs which are part of the Group
Cash Losses - Para 3 (xvii)		whether the company has incurred cash losses in the financial year and in the immediately preceding financial year, if so, state the amount of cash losses;
Statutory Auditor Resignation - Para 3 (xviii)		whether there has been any resignation of the statutory auditors during the year, if so, whether the auditor has taken into consideration the issues, objections or concerns raised by the outgoing auditors;
Material Uncertainty - Para 3 (xix)		on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements, the auditor's knowledge of the Board of Directors and management plans, whether the auditor is of the opinion that no material uncertainty exists as on the date of the audit report that company is capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date;
Unspent CSR - Para 3 (xx)	Compliance with Sec 135(5)	Whether, in respect of other than ongoing projects, the company has transferred unspent amount to a Fund specified in Schedule VII to the Companies Act within a period of six months of the expiry of the financial year in compliance with second proviso to sub-section (5) of section 135 of the said Act;
	Compliance with Sec 135(6)	Whether any amount remaining unspent under sub-section (5) of section 135 of the Companies Act, pursuant to any ongoing project, has been transferred to special account in compliance with the provision of sub-section (6) of section 135 of the said Act;
CARO Reporting in Consolidated FS - Para 3 (xxi)		Whether there have been any qualifications or adverse remarks by the respective auditors in the Companies (Auditor's Report) Order (CARO) reports of the companies included in the consolidated financial statements, if yes, indicate the details of the companies and the paragraph numbers of the CARO report containing the qualifications or adverse remarks.